

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
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September 10, 2001

Mr. Andrew F. Wood, Vice President for Finance/CFO
Oconee Memorial Hospital
298 Memorial Drive
Seneca, South Carolina 29672-9443

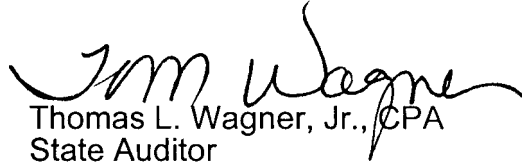
Re: AC# 3-LLD-J6 – Oconee Memorial Hospital, Inc.
d/b/a Lila Doyle Nursing Care Facility

Dear Mr. Wood:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1995 through September 30, 1996. That report was used to set the rate covering the contract period beginning October 1, 1997.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate changes shown on Exhibit A. You will be notified of settlement terms by that agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**OCONEE MEMORIAL HOSPITAL, INC.
D/B/A LILA DOYLE NURSING CARE FACILITY
SENECA, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 1997
AC# 3-LLD-J6**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

July 20, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility, for the contract period beginning October 1, 1997, and for the twelve month cost report period ended September 30, 1996, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

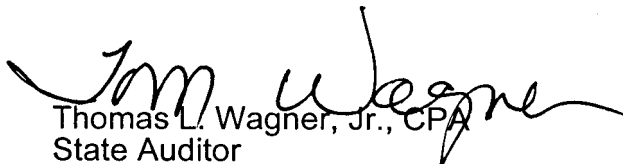
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
July 20, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.


Thomas L. Wagner, Jr., CPA
State Auditor

OCONEE MEMORIAL HOSPITAL, INC.
D/B/A LILA DOYLE NURSING CARE FACILITY

Computation of Rate Change
For the Contract Period
Beginning October 1, 1997
AC# 3-LLD-J6

	10/01/97- <u>09/30/98</u>
Adjusted reimbursement rate	\$ 89.26
Interim reimbursement rate (1)	<u>88.15</u>
Increase in reimbursement rate	\$ <u><u>1.11</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000.

**OCONEE MEMORIAL HOSPITAL, INC.
D/B/A LILA DOYLE NURSING CARE FACILITY**

Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1997 Through September 30, 1998
AC# 3-LLD-J6

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 60.16	\$44.95	
Dietary		14.76	9.74	
Laundry/Housekeeping/Maint.		<u>13.53</u>	<u>7.72</u>	
Subtotal	\$ <u>-</u>	88.45	62.41	\$62.41
Administration & Med. Rec.	\$ <u>-</u>	<u>19.10</u>	<u>9.45</u>	<u>9.45</u>
Subtotal		107.55	<u>\$71.86</u>	71.86
<u>Costs Not Subject to Standards:</u>				
Utilities		2.63		2.63
Special Services		.55		.55
Medical Supplies & Oxygen		2.72		2.72
Taxes and Insurance		.45		.45
Legal Fees		<u>.19</u>		<u>.19</u>
TOTAL		<u>\$114.09</u>		78.40
Inflation Factor (4.40%)				3.45
Cost of Capital				9.88
Cost of Capital Limitation				(2.97)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.50</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$89.26</u>

OCONEE MEMORIAL HOSPITAL, INC.
D/B/A LILA DOYLE NURSING CARE FACILITY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1996
 AC# 3-LLD-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$1,793,485	\$ -	\$106,112 (1)	\$1,687,373
Dietary	487,211	-	73,177 (1)	414,034
Laundry	157,422	-	45,738 (1)	111,684
Housekeeping	138,838	5,655 (1)	-	144,493
Maintenance	67,904	55,326 (1)	-	123,230
Administration & Medical Records	274,096	261,637 (1)	-	535,733
Utilities	58,295	15,513 (1)	-	73,808
Special Services	15,441	2 (1)	-	15,443
Medical Supplies & Oxygen	69,211	7,018 (1)	-	76,229
Taxes and Insurance	10,704	1,831 (1)	-	12,535
Legal Fees	-	5,224 (1)	-	5,224
Cost of Capital	<u>222,785</u>	<u>122,002</u> (2)	<u>67,563</u> (1)	<u>277,224</u>
Subtotal	3,295,392	474,208	292,590	3,477,010
Ancillary	49,236	2,075 (1)	-	51,311

OCONEE MEMORIAL HOSPITAL, INC.
D/B/A LILA DOYLE NURSING CARE FACILITY
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1996
 AC# 3-LLD-J6

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non-Allowable	(35,011,550)	-	61,691 (1)	(35,195,243)
			<u>122,002 (2)</u>	
Total Operating Expenses	\$ <u>(31,666,922)</u>	\$ <u>476,283</u>	\$ <u>476,283</u>	\$ <u>(31,666,922)</u>
Total Patient Days	<u>28,047</u>	<u>-</u>	<u>-</u>	<u>28,047</u>
Total Beds	<u>79</u>			

**OCONEE MEMORIAL HOSPITAL, INC.
D/B/A LILA DOYLE NURSING CARE FACILITY**

Adjustment Report
Cost Report Period Ended September 30, 1996
AC# 3-LLD-J6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Housekeeping	\$ 5,655	
	Maintenance	55,326	
	Administration	261,637	
	Utilities	15,513	
	Special Services	2	
	Medical Supplies	7,018	
	Taxes and Insurance	1,831	
	Legal	5,224	
	Ancillary	2,075	
	General Services		\$106,112
	Dietary		73,177
	Laundry		45,738
	Cost of Capital		67,563
	Nonallowable		61,691
	To adjust cost centers to amounts per the settled Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	122,002	
	Nonallowable		122,002
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$476,283</u>	<u>\$476,283</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

OCONEE MEMORIAL HOSPITAL, INC.
D/B/A LILA DOYLE NURSING CARE FACILITY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1996
 AC# 3-LLD-J6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1144</u>
Deemed Asset Value (Per Bed)	33,022
Number of Beds	<u>79</u>
Deemed Asset Value	2,608,738
Improvements Since 1981	525,584
Accumulated Depreciation at 09/30/96	<u>(1,355,886)</u>
Deemed Depreciated Value	1,778,436
Market Rate of Return	<u>.070</u>
Total Annual Return	124,491
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	124,491
Depreciation Expense	152,733
Amortization Expense	-
Capital Related Income Offsets	-
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	277,224
Total Patient Days (Minimum 97% Occupancy)	<u>28,047</u>
Cost of Capital Per Diem	\$ <u><u>9.88</u></u>

OCONEE MEMORIAL HOSPITAL, INC.
D/B/A LILA DOYLE NURSING CARE FACILITY
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1996
 AC# 3-LLD-J6

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 2.92
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>6.91</u>
Reimbursable Cost of Capital Per Diem	\$ 6.91
Cost of Capital Per Diem	\$ <u>9.88</u>
Cost of Capital Per Diem Limitation	\$ <u>(2.97)</u>

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